



**THIRTEENTH ANNUAL REPORT  
OF  
THE ONTARIO ENERGY BOARD**

**YEAR ENDING DECEMBER 31, 1972**



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ONTARIO ENERGY BOARD

February 1, 1973

Honourable Leo Bernier,  
Minister of Natural Resources,  
Parliament Buildings,  
Toronto, Ontario.

Sir:

I have the honour to present herewith the Annual Report  
of the Ontario Energy Board for the calendar year 1972.

Respectfully submitted,

S. W. Clarkson  
Chairman



## INTRODUCTION

This report, submitted in accordance with section 9 of The Ontario Energy Board Act, summarizes the activities of the Ontario Energy Board for the calendar year ended December 31, 1972.

The Board acts under the authority of The Ontario Energy Board Act, sections 4, 8, 9 and 10 of The Municipal Franchises Act, and certain sections of The Petroleum Resources Act, 1971, The Public Utilities Act and The Assessment Act.

## COMPOSITION OF THE BOARD

Mr. Stuart W. Clarkson was appointed to the Board as its Chairman, effective September 20, 1972. The other members of the Board are Mr. A. B. Jackson, Mr. I. C. MacNabb and Mr. D. M. Treadgold.

The principal members of the Board staff are the Secretary, the Energy Returns Officer and the Deputy Energy Returns Officer, the Board Engineer, and the Supervisor of the Energy Studies Section. The latter was on loan to the Advisory Committee on Energy throughout 1972.





## FUNCTIONS OF THE BOARD

The major functions of the Board are as follows:

### a) Under The Ontario Energy Board Act

Approving and fixing the rates and charges for the sale, transmission, distribution and storage of gas in the Province.

Ensuring compliance by gas companies with the Uniform System of Accounts for Gas Utilities.

Granting leave to construct transmission pipe lines, production lines, distribution lines and stations.

Granting authority to expropriate land for pipe lines and stations.

Recommending the designation of lands as gas storage areas and reporting on applications for permits to drill wells in such areas.

Authorizing gas storage operations in designated gas storage areas.

Requiring and regulating the joining of interests in gas or oil pools, and apportioning the benefits of operation therein.

Hearing and reporting to the Lieutenant Governor in Council on proposals of gas companies to sell their systems, amalgamate with other companies, or acquire shares of other gas companies.

Examining and reporting on any matters pertaining to energy referred to the Board by the Lieutenant Governor in Council.

### b) Under The Municipal Franchises Act

Approving terms and conditions of municipal gas franchise agreements, renewing or extending



expired gas franchises or denying renewals or extensions if not in the public interest.

Granting certificates of public convenience and necessity for the supply and distribution of gas in municipalities.

c) Under The Petroleum Resources Act, 1971

Examining and reporting on certain matters referred to the Board by the Minister of Natural Resources.

GENERAL ADMINISTRATION

The Advisory Committee on Energy having been set up by the Government in 1971 to undertake a thorough review of matters respecting energy, the Board's Supervisor of its Energy Studies Section was loaned to the Committee in 1971 and remained with it throughout 1972. The more routine statistical and other studies continued to be made by the small staff of the Energy Studies Section attached to the Board.

The Energy Returns Officer and his staff carry out continuous surveillance of accounting records of gas companies under the jurisdiction of the Board. This work assumed particular importance during 1972 because of the likelihood that the major gas distributors will apply for approval of new rates in 1973.



Proceedings before the Board are open to the public and, subject to certain limited exemptions, a public hearing is held before any Order is made. The legislation provides that Board decisions may be appealed to the Court of Appeal and reviewed by the Lieutenant Governor in Council. Additional appeal provisions were established by the Legislature in 1971 upon the enactment of The Judicial Review Precedure Act, 1971.

Late in December, 1972, the owners of certain lands in the City of Windsor appealed from Orders of the Board respecting the location of a high-pressure gas pipe line and the expropriation by Union Gas Limited of an easement therefor on the lands of the Appellants. The appeal was not heard before the end of the year and, as of the date of this Annual Report, the decision of the Court is not known.

In accordance with its usual practice, the Board held hearings at locations convenient for the Applicants and other interested parties. Although most hearings were held in Toronto, hearings were also held during 1972 at Mount Forest, Cayuga, Sarnia, Windsor, Chatham, Woodstock and Guelph.

There were no amendments made to The Ontario Energy Board Act during 1972, nor were any new Regulations made under the Act.



HEARING STATISTICS

The Ontario Energy Board Act

Gas Rates and other charges for gas . . . . .	26
Miscellaneous Orders . . . . .	11
Leaves to construct transmission pipe lines . .	5
Land expropriations for pipe lines . . . . .	87
Drilling of wells in gas storage areas (referred by Minister) . . . . .	4

The Municipal Franchises Act

Approval of gas franchise agreements (section 9) . . . . .	2
Certificates of public convenience and necessity (section 8) . . . . .	3
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RATES

The year 1972 was one of anticipation of gas rate revisions which, however, did not take place and are now expected in 1973. The major supplier of gas to Ontario distributors, TransCanada PipeLines Limited, has had approval from the National Energy Board for substantial increases in its revenues but hearings on the particular rates designed to achieve the approved revenue increase were not completed in 1972. When new rates are approved, it is expected that the Ontario distributors will have to bear very substantially







increased gas costs and will then seek important revisions in the rates charged to their customers. This will place a heavy burden of investigation upon the Board and the Board has encouraged the distributors to do as much advance preparation as possible in order that the issues may be clear and the several hearings carried on expeditiously and fairly to all concerned.

The Board recently reviewed the earned return and rates to customers of Northern and Central Gas Corporation Limited. In its decision the Board provided that the proceedings would be kept open "so as to enable the Applicant to submit for the approval of the Board, without redetermination of rate base and rate of return, rate schedules designed to pass on to the Applicant's customers all or part of any increased gas costs resulting from an Order of the National Energy Board made before the end of 1972."

The above reference to increased gas costs relates to the application of TransCanada PipeLines Limited to the National Energy Board for approval of increases in the rates charged by it to distributors. The hearing was not completed in 1972 and accordingly no Order was made during that year. The Ontario Energy Board has before it an application of Northern and Central Gas Corporation Limited to permit it to exercise the special rights granted to it by the Board



in its earlier decision if the Order of the National Energy Board is made before the end of April, 1973.

In addition to the major rates case mentioned above, the Board dealt with a number of rates applications of lesser importance. Many of these were of a limited nature, e.g. the introduction of large-volume industrial rates to new areas. Others were for rate approval on an interim basis, pending final determination by the Board.

One of the interim Orders is of particular interest. Tecumseh Gas Storage Limited, half of whose common shares are owned by its principal customer, The Consumers' Gas Company, carries on a large-scale gas storage operation in Lambton County for gas transmitters and distributors. It has had, and continues to have, substantial reserve capacity and the steadily increasing use of the storage pool has resulted in reductions of unit costs of storage. The company's rates are approved by the Board on an interim year-to-year basis and the Order for 1972-1973, in recognition of the reduction in unit costs, provided for a reduction in storage charges of about 5%.

#### ACCOUNTING ORDERS

During the year, a number of issues in matters of accounting were settled by the Board in accordance with the Uniform System of Accounts prescribed for use by gas



distributors. The Consumers' Gas Company completed a study on the accounting treatment of certain acquisitions made by it since 1955. After review by the staff of the Board, changes were ordered by the Board and given effect to in the company's 1972 financial statements. The matters were explained in considerable detail in Reasons for Decision issued by the Board.

Some relatively minor matters with respect to the accounts of Union Gas Limited and United Gas Limited were also settled by the Board in accordance with the Uniform System of Accounts for Gas Utilities.

In the Annual Report of the Board for 1971, reference was made to important accounting Orders of the Board, as follows:-

"Pending a final decision of the National Energy Board on the application to it, the Ontario utilities agreed to pay TransCanada an additional 2.1¢ per Mcf for all gas delivered beginning January 1, 1972. At their request, accounting Orders were issued by this Board permitting them to defer the supplemental cost of gas supply in their accounts pending the N.E.B. decision and future consideration by this Board."

The decision of the National Energy Board has not yet been made and accordingly the accounting Orders referred to are still in effect.



PIPE LINE CONSTRUCTION AND EXPROPRIATION  
OF EASEMENTS THEREFOR

The Ontario Energy Board Act prohibits the construction of a gas or oil transmission pipe line without leave of the Board. If leave to construct a pipe line has been granted, the Board may also grant authority to expropriate land for the purpose of the pipe line.

The cases in 1972 where the Board authorized pipe line construction varied in importance, but several call for comment.

Leave was granted to Northern and Central Gas Corporation Limited to loop its gas transmission line serving the Sudbury area. Looping of the line was required in order to enable the company to meet the expanding needs of customers in the area and involved the construction of approximately 55 miles of 12" pipe line.

Leave was granted to The Consumers' Gas Company to loop its 4" Lindsay lateral with approximately 10 miles of 6" gas pipe line in order to reinforce the facilities serving Lindsay and Peterborough. Leave was also granted to the company to construct approximately 9 miles of 4" line to serve newly-authorized areas at and in the vicinity of Port Perry.

Leave was granted to Union Gas Limited to construct about 10 miles of 24" gas pipe line between its Dawn compressor







station and the newly-authorized Bickford gas storage area. Other construction authorized during the year was of relatively minor importance but easement acquisition or line construction was carried out on major projects previously authorized, involving the Board in incidental matters - in particular a large number of expropriation proceedings. These projects included the final stages of looping of the Dawn Township-Windsor line, at the Windsor end, with 22.8 miles of 20" pipe, the North Guelph line comprising about 8 miles of 12" and 8" pipe, and looping of the Waterloo-Owen Sound line comprising about 15 miles of 10" pipe.

As in previous years a special pipe line inspector was appointed to act as liaison between the landowners and the pipe line companies during construction and clean-up periods and to ensure compliance with any terms and conditions of Board's Orders related to the construction.

#### GAS STORAGE MATTERS

The Board is responsible in several respects for control of gas storage and, among other things, makes recommendations to the Minister with respect to applications for permission to drill wells in designated gas storage areas.

During 1972 Tecumseh Gas Storage Limited, in accordance with the Board's recommendations, was permitted to drill nine wells in the Kimball-Colinville pool (two of which were



replacements for wells that turned out to be dry holes). The purpose was to develop deliverability in order to meet an increasing contractual commitment to The Consumers' Gas Company.

After lengthy hearings the Board, early in 1972, authorized Union Gas Limited to inject, store, and remove gas in and from the Bickford and Sombra designated gas storage pools. The working storage capacity of these two pools is approximately 15.9 Bcf. Later in the year, in accordance with the Board's recommendations to the Minister, permits were granted to the company to carry out its five-well drilling program for 1972 in these pools.

#### JOINING OF INTERESTS FOR THE PRODUCTION OF GAS OR OIL

The Board is empowered by section 24(c) of The Ontario Energy Board Act to:

"require and regulate the joining of the various interests within a field or pool for the purpose of drilling or operating wells, the designation of management and the apportioning of the costs and the benefits of such drilling or operation."

During 1972 the Board made an Order joining the interests in the Rosedale Pool, in the Township of Enniskillen, County of Lambton. The pool contained about 2 Bcf of gas, an important addition in a time of tight gas supplies in Ontario. Union Gas Limited, which held all the oil and gas



rights exclusive of a municipally-owned road allowance, was named manager of the unit operation. The terms for the joining of interests brought very substantial advantages to lessors whose lands contained gas and left other lessors at least as well off as under their contractual rights.

#### APPROVALS AND CERTIFICATES

The Board approved the terms and conditions of two gas franchise agreements, each being between a gas distributor and a municipality not formerly served with gas. The Board issued certificates of public convenience and necessity for three municipalities (Village of Port Perry, Townships of Reach and Wabigoon) where distribution facilities were to be constructed during 1972.

In addition to the above authorizations for gas service to new areas, approval was given to a new franchise granted by the Town of Bowmanville to The Consumers' Gas Company. This followed upon settlement of a dispute, originating in the terms of an earlier franchise which expired in 1966, as to ownership of the gas system installed by The Consumers' Gas Company or its predecessor under that earlier franchise.

#### DISCONTINUANCE OF GAS SERVICE

Under the provisions of section 25 of The Ontario



Energy Board Act, "no distributor shall voluntarily discontinue distributing gas by pipe line to a consumer without leave of the Board." During 1972 two applications were made to the Board under this section.

On March 3, 1972, Grand River Gas Limited applied for leave to discontinue all service from its gas distribution system in the Township of Cayuga in the County of Haldimand, stating that "because of the need to replace the system, the lack of an adequate supply of gas from the Applicant's own wells and the inability of the Applicant to obtain help for operating the system, the Applicant sees no prospect of being able to continue operations on any satisfactory basis." After a thorough investigation, including a public hearing in the area, the Board could find no practical alternative and made an Order granting leave to discontinue on July 31, 1972, but on condition that the Applicant furnish each customer with his normal gas requirements free of charge after May 1, 1972, until discontinuance of service.

Later in the year, Union Gas Limited applied for leave to discontinue gas service from a number of its lines in the Townships of North Cayuga, South Cayuga, Walpole, Dunn and Rainham, in the County of Haldimand, serving about 260 customers. The lines in question were originally laid as production lines but, because of declining production in the wells, are no longer required or used for that purpose. The application







states that the lines must be replaced if they continue to be used for distribution mains and that replacement is uneconomic. The application also states that "alternative sources of energy are readily available and the Applicant has made offers of compensation to all customers affected ... which are designed to assist such customers to convert to alternate fuels." Pursuant to a Notice of Hearing issued by the Board, the application came on for hearing at Cayuga on November 16, 1972, but at the opening of the hearing an adjournment was granted and the application will come on again for hearing early in 1973. The Lieutenant Governor in Council has appointed an expert on pipe corrosion to assist the Board and it is expected that his evidence will be presented at the hearing.

#### CONCLUSION

The Board continues to keep in close touch with the proceedings before the National Energy Board and other developments that may affect the terms and conditions under which gas is delivered to Ontario distributors.





